

**CITY OF OAKLAND
NEBRASKA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

CITY OF OAKLAND, NEBRASKA

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**RIC ORTMEIER
CERTIFIED PUBLIC ACCOUNTANT**

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Oakland
Oakland, NE 68064

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Oakland, Nebraska (the "City"), as of and for the year ended September 30, 2015, which collectively comprise the City's financial statements as listed in the table of contents, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as applicable; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements of the governmental activities referred to above present fairly, in all material respects, the financial position - cash basis of the

governmental activities of the City of Oakland, Nebraska as of September 30, 2015, and the changes in financial position - cash basis, thereof for the year then ended in conformity with the cash basis of accounting described in Note A.

Also, in my opinion, the financial statements of the business-type activities referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Oakland, Nebraska as of September 30, 2015, and the changes in financial position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated January 19, 2016 on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Other Matters

The financial statements referred to above include only the primary government of the City of Oakland, Nebraska, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. These primary government financial statements do not include financial data for the City's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. A separate audit report has been released by another auditor for the period ended July 31, 2015 with an unmodified opinion. My opinion is not modified with respect to this matter.

The City has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements. This omission does not impact my opinion on the financial statements.

The budgetary comparison information on pages 19-21 are presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



RIC ORTMEIER
Certified Public Accountant
Fremont, Nebraska
January 19, 2016

CITY OF OAKLAND, NEBRASKA

STATEMENT OF NET POSITION SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total (memo only)
ASSETS:			
Cash	\$ 78,684	\$ 896,635	\$ 975,319
Cash - restricted	275,941	19,881	295,822
Cash with county treasurer	17,109		17,109
Assessments receivable	5,465		5,465
Accounts receivable		52,128	52,128
Capital assets, net		3,362,698	3,362,698
Total assets	<u>\$ 377,200</u>	<u>\$ 4,331,342</u>	<u>\$ 4,708,542</u>
LIABILITIES:			
Accounts payable		\$ 3,544	\$ 3,544
Accrued expenses		13,985	13,985
Deposits		19,881	19,881
Notes payable		1,609,911	1,609,911
Total liabilities	<u>\$ -</u>	<u>1,647,322</u>	<u>1,647,322</u>
NET POSITION:			
Net investment in capital assets		1,788,489	1,788,489
Restricted for:			
Debt service	282,285		282,285
Water deposits		19,881	19,881
Assigned	82,115		82,115
Unassigned	12,799	875,650	888,449
Net position	<u>\$ 377,200</u>	<u>\$ 2,684,020</u>	<u>\$ 3,061,220</u>

See Notes to the Financial Statements

CITY OF OAKLAND, NEBRASKA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2015

		Program Revenues		Net Revenues (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government						
Governmental activities:						
General services	\$ 105,928			\$ (105,928)		\$ (105,928)
Streets	263,568		\$ 137,372	(126,195)		(126,195)
Police and civil defense	241,233		3,500	(237,733)		(237,733)
Library	79,586		3,093	(76,493)		(76,493)
Parks	118,662	\$ 400	10,883	(107,380)		(107,380)
Pool	41,350	21,428		(19,922)		(19,922)
Auditorium	22,431	1,741	3,850	(16,841)		(16,841)
Oakland Heights	119,688			(119,688)		(119,688)
Debt service	150,734			(150,734)		(150,734)
Total governmental activities	1,143,180	23,568	158,697	(960,915)		(960,915)
Business-type activities:						
Water/sewer/solid waste	476,780	561,701			\$ 84,921	84,921
Total	\$ 1,619,960	\$ 585,269	\$ 158,697	(960,915)	84,921	(875,994)
General Revenues:						
Taxes:						
Property				340,179		340,179
Sales				133,609		133,609
Franchise and occupation				21,650		21,650
Licenses and fees				7,445		7,445
Intergovernmental revenue				69,112		69,112
NPPD lease				163,733		163,733
Equalization fund				67,007		67,007
Interest income				1,073		1,073
Oakland Heights				108,702		108,702
Other income				33,305	2,448	35,753
				945,816	2,448	948,264
Change in Net Position				(15,098)	87,368	72,270
Net Position - beginning of year				392,298	2,596,652	2,988,950
Net Position - end of year				\$ 377,200	\$ 2,684,021	\$ 3,061,220

See Notes to the Financial Statements

CITY OF OAKLAND, NEBRASKA

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS GOVERNMENTAL FUNDS SEPTEMBER 30, 2015

	General	Bond	Total Governmental Funds
ASSETS:			
Cash	\$ 78,684		\$ 78,684
Cash - restricted		\$ 275,941	275,941
Cash with County Treasurer	10,765	6,344	17,109
Assessments receivable	5,465		5,465
Total assets	<u>\$ 94,915</u>	<u>\$ 282,285</u>	<u>\$ 377,200</u>
FUND BALANCE:			
Restricted for:			
Debt service		\$ 282,285	\$ 282,285
Assigned	\$ 82,115		82,115
Unassigned	12,799		12,799
Total fund balance	<u>\$ 94,915</u>	<u>\$ 282,285</u>	<u>\$ 377,200</u>

CITY OF OAKLAND, NEBRASKA

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General	Bond	Total Governmental
RECEIPTS:			
Taxes	\$ 334,132	\$ 161,307	\$ 495,439
Intergovernmental revenues	206,484		206,484
Licenses and permits	7,445		7,445
Charges for services	23,568		23,568
Equalization fund	67,007		67,007
NPPD lease	163,733		163,733
Interest income	194	879	1,073
Grants and donations	21,325		21,325
Oakland Heights	108,702		108,702
Other	33,305		33,305
Total receipts	<u>965,897</u>	<u>162,185</u>	<u>1,128,082</u>
DISBURSEMENTS:			
General government	105,928		105,928
Oakland Heights	119,688		119,688
Street department	263,568		263,568
Police and civil defense	241,233		241,233
Library	79,586		79,586
Parks and recreation	118,662		118,662
Swimming pool	41,350		41,350
Auditorium	22,431		22,431
Debt service		150,734	150,734
Total disbursements	<u>992,446</u>	<u>150,734</u>	<u>1,143,180</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>\$ (26,549)</u>	<u>\$ 11,451</u>	<u>(15,098)</u>
FUND BALANCE - beginning of year			<u>392,298</u>
FUND BALANCE - end of year			<u><u>\$ 377,200</u></u>

See Notes to the Financial Statements

CITY OF OAKLAND, NEBRASKA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS SEPTEMBER 30, 2015

ASSETS	
CURRENT ASSETS	
Cash	\$ 896,635
Cash - restricted	19,881
Utility billing receivables	52,128
Total current assets	<u>968,644</u>
NONCURRENT ASSETS	
Capital assets - Water	1,457,658
Capital assets - Sewer	2,485,861
Capital assets - Solid waste	238,176
Accumulated depreciation	(818,997)
Capital assets, net	<u>3,362,698</u>
TOTAL ASSETS	<u>\$ 4,331,342</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 3,544
Payroll liabilities	524
Compensated absences	3,726
Sales tax payable	2,435
Accrued interest and fees	7,299
Water deposits	19,881
Line of credit	35,703
Current portion of noncurrent liabilities	85,088
Total current liabilities	<u>158,201</u>
NONCURRENT LIABILITIES	
Notes payable - NDEQ	1,489,121
Total noncurrent liabilities	<u>1,489,121</u>
TOTAL LIABILITIES	<u>1,647,322</u>
NET POSITION	
Net investment in capital assets	1,788,489
Restricted for:	
Water deposits	19,881
Unassigned	875,650
Net position	<u>2,684,020</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,331,342</u>

CITY OF OAKLAND, NEBRASKA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Water	Sewer	Solid Waste	Total
OPERATING REVENUES:				
User fees	\$ 262,598	\$ 178,713	\$ 113,640	\$ 554,951
Interest	921			921
Other	2,448		5,828	8,276
Total operating revenues	<u>265,967</u>	<u>178,713</u>	<u>119,468</u>	<u>564,148</u>
OPERATING EXPENSES:				
Utility operations	153,647	78,109	97,843	329,599
Depreciation	43,483	69,640	8,867	121,990
Total operating expenses	<u>197,130</u>	<u>147,749</u>	<u>106,710</u>	<u>451,589</u>
OPERATING INCOME	68,838	30,964	12,758	112,560
NON-OPERATING REVENUES AND (EXPENSES):				
Debt service - interest and fees	<u>(2,788)</u>	<u>(22,403)</u>		<u>(25,191)</u>
CHANGE IN NET POSITION	<u>\$ 66,049</u>	<u>\$ 8,561</u>	<u>\$ 12,758</u>	87,368
NET POSITION - beginning of year				<u>2,596,652</u>
NET POSITION - end of year				<u><u>\$ 2,684,021</u></u>

See Notes to the Financial Statements

CITY OF OAKLAND, NEBRASKA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Cash flows from operating activities:	
Operating income (loss)	\$ 112,560
Adjustments to reconcile operating income (loss)	
to net cash from operating activities:	
Depreciation	121,990
Changes in assets and liabilities:	
(In)decrease accounts receivable	2,279
In(de)crease in accounts payable	656
In(de)crease in other accrued liabilities	(1,857)
In(de)crease in customer deposits	4,155
	<hr/>
Net cash from operating activities	239,783
	<hr/>
Cash flows from capital financing sources:	
Capital asset purchases	(135,226)
Debt service - principal	(83,871)
Debt service - interest	(25,191)
	<hr/>
Net cash from capital financing sources	(244,288)
	<hr/>
Net change in cash	(4,505)
Cash - beginning of year	921,022
	<hr/>
Cash - end of year	\$ 916,516
	<hr/>

See Notes to the Financial Statements

CITY OF OAKLAND, NEBRASKA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oakland, Nebraska operates under a Mayor-Council form of government and provides the following services as authorized by its charter: general (administrative and public buildings), public safety, public works (streets and utilities), and cultural and recreation (parks, pool and library).

Reporting Entity – The financial statements include all funds of the City. Accordingly, the criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes.

Component unit – Oakland Heights and Oakland Heights Assisted Living is not included as a discretely presented component unit. The entity is governed by a board appointed by the city council. It provides nursing home and assisted living care to the residents of the City. It has a fiscal year end of July 31 and is audited and reported on separately.

Government-Wide and Fund Financial Accounting – The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government of the City and component units (as applicable). The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The Statement of Activities demonstrates the degree to which the direct expenses/disbursements of a given function or segment are offset by program revenues/receipts. Direct expenses/disbursements are those that are clearly identifiable with a specific function or segment. Program revenues/receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues/receipts are reported instead as general revenues/receipts.

The Statement of Net Position reports the entity's net assets as either restricted (externally or legally imposed constraints on use) or unrestricted (do not meet the definition of restricted).

Separate financial statements are provided for governmental funds and proprietary funds. Each individual governmental fund and each individual proprietary fund is reported as a separate column in the fund financial statements.

CITY OF OAKLAND, NEBRASKA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its revenues/receipts, expenses/disbursements and fund balances. City resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting and Financial Statement Presentation – Basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental activities in the government-wide financial statements and governmental funds in the fund financial statements, are accounted for using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenues are recognized when they are received. Expenditures are recognized when paid. Capital assets are recorded as disbursements when paid for by the City and are not recorded as assets on the government-wide or fund financial statements. Long-term debts are recorded as other financing receipts when received and are not recorded as liabilities on the government-wide or fund financial statements. Payments of principal and interest are reported as cash disbursements when paid.

The business-type activities and proprietary funds of the City use the accrual basis of accounting for financial reporting. These funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with their operation are included on the financial statements. The proprietary funds are used to account for those activities that are operated in a manner similar to those found in the private sector, where the intent of the governing body is that the costs (expenses), including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City reports the following major governmental funds:

The General Fund is the City's main operating fund. It accounts for all activities of the city, except those that are required to be accounted for in another fund.

The Bond Fund accounts for the accumulation of resources utilized to retire general obligation bonds at maturity or when called and to pay interest due on those bonds.

CITY OF OAKLAND, NEBRASKA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Financial Statement Presentation (Continued)-

The City reports the following major proprietary funds:

The Water Fund accounts for all activities necessary for the provision of water services to City residents.

The Wastewater Fund accounts for all activities necessary for the provision of wastewater services to City residents.

The Solid Waste accounts for all activities necessary for the provision of waste and recycling services to City residents.

Governmental Fund Balances - The governmental fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. Fund balance classifications are:

Non-spendable – The non-spendable fund balance cannot be spent because it is either not in spendable form or is legally or contractually required to be maintained intact.

Restricted – The restricted fund balance can be spent only for the constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provision or enabling legislation.

Committed – The committed fund balance can be spent for specific purposes imposed by the formal action of the government's highest level of decision-making authority.

Assigned – The assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Residual amounts in governmental funds other than the general fund are assigned.

Unassigned – The unassigned fund balance is the residual classification for the City's general fund.

Concentration of Credit Risk – The City may have receivables from businesses and individuals in the City for property taxes, special assessments and charges for services. Real or personal property is collateral for the property taxes and special assessments, charges for service are uncollateralized.

CITY OF OAKLAND, NEBRASKA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Accounting – The City follows these procedures in establishing the budgetary data.

The City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed disbursements and the means of financing them. The budget document includes all governmental and proprietary funds. The budget is prepared on the cash basis of accounting.

Public hearings are conducted at a public meeting to obtain taxpayer comments.

Prior to September 20, the budget is legally adopted by the City Council through passage of an ordinance.

The property tax requirement resulting from the budget process is used by the County Assessor to establish the tax levy, which attaches as an enforceable lien on property within the City as of January 1.

Total disbursements may not legally exceed total appropriations. Budgeted disbursements lapse at the end of the City's fiscal year and any revisions require Council approval.

Governmental Fund Capital Assets – Capital assets used in general governmental operations are not reported in the governmental funds or government-wide financial statements but are reported as disbursements when purchased.

Proprietary Fund Capital Assets – Purchased capital assets held by the proprietary funds are stated at cost. Contributed capital assets are recorded at fair value on the date received. Depreciation is provided over their estimated useful lives using the straight-line method. Expenditures that significantly extend the life of an asset are capitalized. All other repairs and maintenance costs are charged to expense as incurred.

The estimated useful lives are:

Distributions systems	10 – 40 years
Buildings	25 – 40 years
Improvements	0 – 25 years
Equipment	5 – 15 years

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF OAKLAND, NEBRASKA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2015

B. PROPERTY TAX LEVY

The City's general fund tax levy for the year ended September 30, 2015 was \$.407168 and the bond fund levy was \$.316771 per \$100 of valuation. The total valuation base for taxing purposes was \$47,102,604.

C. DEPOSITS AND INVESTMENTS

The City's cash and certificates of deposit are insured by FDIC insurance and/or collateralized by government securities held by the City's depository bank.

The City may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities.

D. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended September 30, 2015:

	Balance 9/30/14	Additions	Dispo- sitions	Balance 9/30/15
Water:				
Land improvements	\$ 267,184			\$ 267,184
Buildings	110,000			110,000
Building improvements	13,304			13,304
Equipment	979,115	\$ 88,055		1,067,170
Total	1,369,603			1,457,658
Less, accumulated depreciation	(377,246)	(43,483)		(420,729)
Totals	\$ 992,357	\$44,572		\$ 1,036,929
Sewer:				
Land improvements	\$ 4,562			\$ 4,562
Buildings	1,377,567			1,377,567
Building improvements	983,345			983,345
Equipment	73,216	\$ 47,171		120,387
Total	2,438,690			2,485,861
Less, accumulated depreciation	(255,508)	(69,640)		(325,148)
Totals	\$ 2,183,182	\$ (22,469)		\$ 2,160,713
Solid waste:				
Land	\$ 4,500			\$ 4,500
Buildings	145,461			145,461
Equipment	88,215			88,215
Totals	238,176			238,176
Less, accumulated depreciation	(64,253)	\$ (8,867)		(73,120)
Totals	\$ 173,923	\$ (8,867)		\$ 165,056

CITY OF OAKLAND, NEBRASKA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

E. LONG-TERM LIABILITIES

Following is a summary of the changes in long-term debt for the year ended September 30, 2015:

	<u>Bonds</u>	<u>NDEQ</u>
Balance-beginning of year	\$ 970,000	\$ 1,658,079
Payments	<u>(125,000)</u>	<u>(83,871)</u>
Balance-end of year	<u>\$ 845,000</u>	<u>\$ 1,574,208</u>

Long-term liabilities at September 30, 2015 are as follows:

1) BONDS PAYABLE

General obligation swimming pool refunding bonds dated August 11, 2011 in the original amount of \$805,000. The balance at September 30, 2015 is \$655,000. Stated interest rates on the remaining bonds are between 1.35% and 2.6% with final payment set for June 15, 2020.

General obligation refunding bonds dated May 20, 2011 in the original amount of \$305,000. The balance at September 30, 2015 is \$190,000. Stated interest rates on the remaining bonds are 2.65% to 3.75% with final payment set for June 1, 2021.

Annual requirements to amortize all bonds outstanding at September 30, 2015 are as follows:

Year Ending 9/30	Bond Principal	Interest	Total Payments
2016	85,000	21,563	106,563
2017	85,000	20,025	105,025
2018	90,000	18,295	108,295
2019	90,000	16,075	106,075
2020	460,000	13,675	473,675
2021	<u>35,000</u>	<u>1,313</u>	<u>36,313</u>
Total	<u>\$ 845,000</u>	<u>\$ 90,945</u>	<u>\$ 935,945</u>

CITY OF OAKLAND, NEBRASKA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2015

E. LONG-TERM LIABILITIES (CONTINUED)

2) NDEQ LOANS

During the year ended September 30, 2012, the City received a loan from the Nebraska Department of Environmental Quality to repair City wells in the amount of \$104,883. The loan is payable over a twenty year period in semiannual payments including interest at 2% plus an additional fee of 1%. The balance at September 30, 2015 is \$89,533.

During the year ended September 30, 2012, the City received a loan from the Nebraska Department of Environmental Quality to rehabilitate the City's sewer system. Under terms of the loan agreement \$540,500 of the loan has been forgiven. The remaining balance of \$1,621,500 is payable over a twenty year period in semiannual payments of \$46,300 including interest at 1.33%. The balance at September 30, 2015 is \$1,367,878.

During the year ended September 30, 2012, the City received an additional loan from the Nebraska Department of Environmental Quality for the completion of the City's sewer system in the amount of \$135,990. The loan is payable over a twenty year period in semiannual payments of \$4,341 including interest at 2.5%. An additional fee of 1% is also charged on the loan. The balance at September 30, 2015 is \$116,798.

The annual principal, interest and administrative fee payments are scheduled to be made as follows:

<u>Year End 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Fee</u>	<u>Total</u>
2016	85,088	22,597	2,037	109,722
2017	86,323	21,362	1,933	109,617
2018	87,577	20,108	1,825	109,510
2019	88,850	18,834	1,716	109,400
2020	90,143	17,542	1,603	109,288
2021-25	470,806	67,616	6,240	544,663
2026-30	506,230	32,193	3,021	541,444
2031-32	159,192	2,335	222	161,749
Totals	<u>\$1,574,208</u>	<u>\$ 202,587</u>	<u>\$18,597</u>	<u>\$1,795,392</u>

3) LINE OF CREDIT

The City has a \$175,000 line of credit with First National Bank Northeast. The balance as of September 30, 2015 is \$57,199 with a variable interest rate at 2.5% on that date. The line of credit related to proprietary purchases is reported in the statement of net position while the portion related to governmental funds is not due to the cash basis of reporting.

CITY OF OAKLAND, NEBRASKA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2015

F. LEASES

The City has an agreement with Nebraska Public Power District (NPPD) which states that the City is to receive quarterly lease payments for the use of their utility infrastructure in regards to electricity. The lease is for not less than 15 years approved May 18, 2015. During the fiscal year ended September 30, 2015 the City received \$163,733 for these lease payments.

The City has an equipment lease for a skid loader with one annual payment of \$2,500 remaining to be paid in November 2015. The contract has an option to buy for \$30,000 at the end of the lease.

The City also has an equipment lease for a skid steer loader with one annual payment of \$11,648 due in August 2016 and a final payment of \$35,055 due August 2017 if a new lease agreement has not been established.

G. COMPENSATED ABSENCES

Sick leave - All full-time employees earn six days of sick leave per year. Sick days are allowed to accumulate indefinitely. Unused sick leave is not payable in cash at any time. At September 30, 2015 approximately \$40,460 of unpaid sick leave had been earned by employees.

Vacations and Comp Time – Qualifying employees earn from two to three weeks vacation per year based on years of employment. Unused vacation may not be carried to the following year. Unused vacation is not payable in cash except upon separation from the City's service by retirement or termination of employment. At September 30, 2015 approximately \$7,384 of unpaid vacation and \$6,062 of comp time had been earned by employees.

H. DEFERRED COMPENSATION

The City has a deferred compensation plan created in accordance with the Internal Revenue Service code 457. The plan is administered by a third party provider. The City matches employee contributions to the plan up to 3% of gross salary. The City contributed \$7,661 to the plan for the year ended September 30, 2015.

I. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. During the year, the City carried commercial insurance for general liability, medical, automobile, property coverage, errors and omissions, worker's compensation and employer liability. Settled claim resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF OAKLAND, NEBRASKA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**J. RECONCILIATION OF BUDGET BASIS REVENUES AND
EXPENDITURES TO GAAP**

Budget basis revenue and expenditures are presented on a basis of accounting other than that permitted by generally accepted accounting principles (GAAP) and differ from the revenues and expenditures presented in accordance with GAAP (proprietary funds only) because of the manner of treatment of accruals, capital asset additions and depreciation, and bond proceeds and redemption. A reconciliation of the proprietary activity for the year ended September 30, 2015 is presented below:

Revenues:	
GAAP Basis	\$ 564,148
Add prior year accruals	54,407
Less current year accruals	<u>(52,128)</u>
Budget Basis	<u>\$ 566,427</u>
Expenditures:	
GAAP Basis	\$ 476,780
Add prior year accruals	18,730
Less current year accruals	<u>(17,529)</u>
Change in Meter deposits	<u>(4,155)</u>
Capital asset purchases	135,226
Less depreciation	<u>(121,990)</u>
Bond payments	<u>83,871</u>
Budget Basis	<u>\$ 570,933</u>

K. SUBSEQUENT EVENTS

The City has evaluated subsequent events as of the auditor's report date and there is nothing significant to note.

CITY OF OAKLAND, NEBRASKA

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget (Original and Final)	Actual
RECIEPTS:		
Taxes:		
Property taxes	\$ 189,869	\$ 178,873
Sales tax	120,000	133,609
Franchise & occupation	18,000	21,650
Intergovernmental:		
State highway allocation and incentive	135,769	137,372
Homestead exemption	21,000	13,216
Motor vehicle tax	21,000	29,960
Motor vehicle fees	10,500	11,046
Motor vehicle pro-rate	350	268
In lieu of taxes	1,500	14,621
Licenses and fees	-	7,445
Charges for services	24,200	23,568
Equalization fund	66,330	67,007
NPPD quarterly lease	190,000	163,733
Interest income	-	194
Library	7,600	3,093
Grants and donations	21,500	18,233
Oakland Heights health insurance	164,706	108,702
Other	25,705	33,305
Total receipts	<u>1,018,029</u>	<u>965,897</u>
DISBURSEMENTS:		
General government	156,973	225,616
Streets	287,933	263,568
Public safety	224,924	241,233
Culture and recreation	277,961	239,598
Public buildings	-	22,431
Total disbursements	<u>947,791</u>	<u>992,446</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	<u>\$ 70,238</u>	(26,549)
FUND BALANCE - beginning of year		<u>121,464</u>
FUND BALANCE - end of year		<u>\$ 94,915</u>

See Notes to Supplementary Information

CITY OF OAKLAND, NEBRASKA

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL BOND FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget (Original and Final)	Actual
RECEIPTS:		
Taxes	\$ 147,715	\$ 161,307
Line of credit	12,000	-
Interest income	-	879
Total receipts	<u>159,715</u>	<u>162,185</u>
DISBURSEMENTS:		
Debt service	125,000	125,000
Interest	24,207	24,268
County commissions	-	1,467
Total disbursements	<u>149,207</u>	<u>150,734</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	<u>\$ 10,508</u>	11,451
FUND BALANCE - beginning of year		<u>270,834</u>
FUND BALANCE - end of year		<u>\$ 282,285</u>

CITY OF OAKLAND, NEBRASKA

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget (Original and Final)	Actual
RECEIPTS:		
User fees	\$ 581,800	\$ 557,230
Interest	-	921
Other	1,800	8,276
Total receipts	<u>583,600</u>	<u>566,427</u>
 DISBURSEMENTS:		
Utility operations	391,832	461,870
Debt service	115,438	109,062
Total disbursements	<u>507,270</u>	<u>570,933</u>
 Change in fund balance (budgetary basis)	<u>\$ 76,330</u>	<u>\$ (4,505)</u>

CITY OF OAKLAND, NEBRASKA

**NOTES TO SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE – CASH BASIS - BUDGET AND ACTUAL**

Basis of Presentation

The accompanying schedules of receipts, disbursements and fund balance – cash basis - budget and actual are presented on the cash basis method of accounting. This is consistent with the basis of accounting used in presenting the governmental financial statements. See footnote for proprietary fund reconciliation of budget basis revenues and expenditures to GAAP. All unexpended appropriations lapse at the end of the budget year.

**RIC ORTMEIER
CERTIFIED PUBLIC ACCOUNTANT**

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Telephone & Fax (402) 721-4224**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Honorable Mayor and Members of the City Council
City of Oakland
Oakland, Nebraska 68064

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Oakland, Nebraska (the "City") as of and for the year ended September 30, 2015, which collectively comprise the City's financial statements and have issued my report thereon dated January 19, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Oakland, Nebraska, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined previously. However, I identified certain deficiencies in internal control over financial reporting, described below that I consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- I, as the City's auditor, have been requested to draft the financial statements and the accompanying notes to the financial statements. This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response: It is not feasible to hire an employee with the specific knowledge required in order to preparing governmental financial statements and therefore accept this as a control deficiency.

Conclusion: Response accepted.

- Because of the limited number of personnel available to perform accounting functions, the City's accounting system lacks an adequate segregation of duties. Because satisfactory segregation of duties might involve the employment of additional personnel, management and those charged with governance may determine that the cost of correcting the weakness in internal control may exceed the benefits that could be derived.

Response: It is not feasible to hire additional employees in order to provide adequate segregation of duties and therefore accept this as a control deficiency.

Conclusion: Response accepted.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the mayor and members of the city council and the Nebraska Auditor of Public Accounts and is not intended and should not be used by anyone other than these specific parties.



Ric Ortmeier
Certified Public Accountant
Fremont, Nebraska
January 19, 2016

CITY OF OAKLAND, NEBRASKA

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No

- Significant deficiencies identified that are not considered to be material weakness(es)? X Yes ___ No

Noncompliance material to financial statement noted? ___ Yes X No

Findings – financial statement audit

Significant Deficiencies:

Preparation of Financial Statements

Condition: The City does not have an internal control system designed to provide for the preparation of financial statements being audited.

Context: This circumstance is not unusual in an organization of this size.

Effect: As auditor, I was requested to assist in drafting the financial statements and accompanying notes to the financial statements.

Cause: Personnel do not have the qualifications needed to completely prepare the financial statements and footnotes.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of responsible officials and planned corrective actions: Management and those charged with governance will monitor the risk associated with this condition.

Segregation of Duties

Condition: The City does not have an internal control system designed to provide for adequate separation of financial duties.

Context: This circumstance is not unusual in an organization of this size.

CITY OF OAKLAND, NEBRASKA

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. SUMMARY OF AUDIT RESULTS (CONTINUED)

Effect: Only one person is involved with oversight of record keeping and transactions on a regular basis.

Cause: Not enough employees to properly segregate duties.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of responsible officials and planned corrective actions: Management and those charged with governance will monitor the risk associated with this condition.

Findings – compliance

Condition: The City's actual overall expenditures exceeded the budgeted expenditures by \$109,845.

Recommendation: The City must monitor and compare the budget to the actual expenditures throughout the year and determine if an amendment is necessary.

Views of responsible officials and planned corrective actions: The budget verse actual expenditures will be monitored and amended if necessary.

Material Weakness:

None